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2 December 1954

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**CENTRAL INTELLIGENCE AGENCY**

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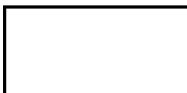
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## FAR EAST

1. Pyongyang proposes meeting with South Korea to plan restoring communications:

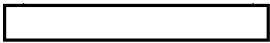
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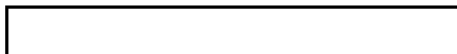
North Korean minister of communications Pak Il-u, in a letter to South Korea's communications minister dated 30 November, invited Seoul officials to a preliminary meeting at Panmunjom on 17 December to plan for an exchange of mail and the reopening of other communications between the north and the south, according to Pyongyang radio.

Stating that there was "no reason at all" to prevent such communications merely because the Korean people "are divided between north and south," Pak also called for a conference at Panmunjom or Kaesong in February 1955 to discuss substantive problems connected with the exchanges.

Comment: This is the latest North Korean move to bring about a rapprochement with the south through direct contacts with South Korean officials. Since late October, Pyongyang has reiterated and enlarged on previous tentative offers to trade, has guaranteed freedom of travel to Seoul officials invited north to discuss unification, and has called for a north-south conference on unification at Seoul or Panmunjom during 1955.

While President Rhee has rejected all previous North Korean overtures, he has on numerous occasions used the threat of negotiations with the Communists as a bargaining lever in dealing with Washington. In early November, Rhee was considering answering the Communist overtures with a plan calling for north-south negotiations after Chinese and UN forces withdrew from Korea. 

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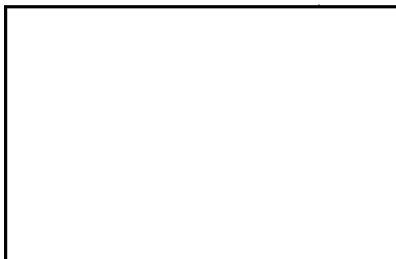
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### NEAR EAST - AFRICA

3. Comment on reported Iranian-Soviet agreement:

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An Iranian-Soviet treaty settling border and financial disputes, reportedly to be signed before the Shah leaves for the United States on 5 December, would remove major difficulties which have disturbed relations between the two countries for many years. The negotiations,

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which started under former prime minister Mossadeq, have been going on intermittently for about 18 months.

The treaty would define the Iranian-Soviet border and provide for demarcation of disputed areas by a joint commission within 18 months, according to the Iranian Foreign Ministry official in charge of Soviet affairs. The 11 tons of gold (worth about \$12,000,000) claimed by Iran would be delivered within two weeks of the ratification and the \$8,700,000 of credits due Iran would be paid by the USSR in the form of goods to be delivered within a year.

The USSR apparently is not insisting on compensatory political commitments from Iran. In view of Iran's growing Western orientation, Moscow may believe that an amicable settlement with Iran at this time would be convincing evidence of its peaceful intentions and its proclaimed policy of "coexistence." Moscow probably hopes that such a gesture would also be instrumental in keeping Iran from making further commitments to the West.

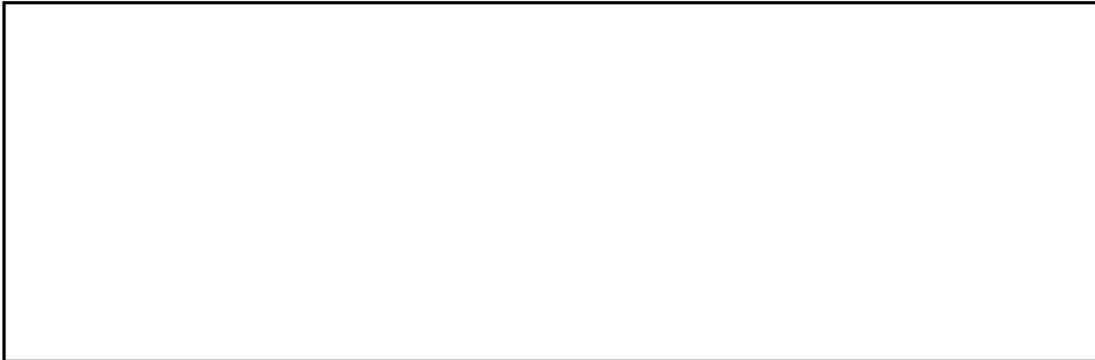
The Zahedi government would probably be strengthened by its success in achieving the payment of the gold and obligations which the USSR has owed Iran since World War II. However, the generally pro-Western orientation of the government is not likely to be affected. [REDACTED]

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4. [REDACTED]

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## LATE ITEM

5. Comment on Moscow security conference:

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The emphasis at the opening sessions of the Moscow conference on the necessity for the Orbit countries to strengthen and unite their armed forces to meet the threat of West German rearmament is intended to stimulate second thoughts in the West on the desirability of ratifying the Paris agreements.

The nature of the measures which the Orbit might take has not been clarified, nor has any timetable been indicated, but Moscow will move cautiously so as not to impel speedier Western ratification.

It appears that the Soviet Union plans eventually to establish an Orbit defense organization as a counter-measure to NATO. However, creation of a combined command for the military forces of Eastern Europe, should that occur, would neither affect the direct control maintained by the Soviet Union over all activities of the Satellite armed forces nor add significantly to the degree of integration which already exists.

Premier Grotewohl threatened specifically that East Germany would counter the establishment of a West German army by creating one of its own. Moscow may believe that creation of a strong East German military establishment could be more easily justified if its forces were subordinated to a regional command.



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An all-European security plan is likely to be approved in Moscow and to be followed by a strong propaganda campaign for the participation of Western countries. Molotov's opening speech implied that a special effort would be made to attract those non-NATO countries which conditionally rejected the invitation to the Moscow conference. [REDACTED]

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